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**DEPARTMENT OF CO-OPERATION**

**NOTIFICATION**

The 25th July, 2023

**Subject: Provision of funds for scheme "Interest Subsidy/ Subvention to the Cooperative Banks/ PACS for providing crop loan at 5% interest to farmers".**

No.8565—COOP-CR1-CRB-0001/2019/CooP.—The State Cabinet in their 62nd meeting held on dated 21st July, 2023 have approved the proposal for provision of funds for "Interest Subsidy/ Subvention to the Cooperative Banks/ PACS for providing crop loan at 5% interest to farmers" scheme for 5 years from 2023-24 to 2027-28. The scheme is meant to ease of interest burden of crop loan on farmers, the State Government introduced interest subvention Scheme to provide Short Term Credit to farmers at subsidized interest rates for their farming operation by Short Term Cooperative Credit Structure (STCCS). It helps in growth of agriculture production and productivity and enhancement of income of farmers from farming activities leading to a better livelihood.

**1. Background**

Agriculture is the mainstay of most of the people of Odisha. Growth in production and productivity in agriculture can be achieved only through flow of required amount of funds for investment in agricultural operations. Most of the farmers in the State belong to the small and marginal category with small & marginal land holdings. These farmers do not have the required capital resources for their agricultural operations for which they require to avail hassle free crop loans from Financial Institutions. For agricultural operation, availability of adequate and hassle free credit at a cheaper rate to farmer has been the top priority of the State Government.

In order to facilitate doubling of flow of short -term agricultural credit to the farm sector, Government of India, in 2006-07, directed to provide crop loans up to Rs.3.00 lakh at 7% interest per annum by all Banks. In order to compensate the loss suffered by Co-operative Banks on provision of crop loans at 7% interest, refinance was provided by NABARD at concessional rate and interest subvention @ 2% was provided by Government of India on their own resources utilized by Co-operative Banks in crop loan financing and additional 3% incentive is also provided by Government of India to farmers for prompt and timely repayment of loan. Now, Government of India has revised its interest subvention rate to compensate the loss sustained by the Cooperative Banks from 2% to 1.5% for F.Y. 2022-23 and 2023-24 in their own fund invested in crop loan up to Rs 3.00 lakh.

In pursuance of the Government of India decision, State Government has been providing interest subvention on crop loans to compensate the losses sustained by the Cooperative Banks by financing such loans at the directed rate of interest i.e. at 7% from 1st April, 2007 to 30th September, 2008. From 1st October, 2008, the state Government has further decided to reduce the rate of interest on crop loan to 5% from 7% for Co-operative Bank, which would reduce the effective rate of interest at 2% in respect of prompt paying farmers. The Government of Odisha, Cooperation Department vide their letter No. 9784, dated the 6th December, 2013 has approved the Interest Subvention Policy w.e.f. 2012-13. Based on such policy, the farmer members of the Primary Agricultural Cooperative Societies (PACS) have been getting crop loans at 5% interest w.e.f 1st October, 2008. From 1st October, 2015, State Government has provided additional Interest subsidy/subvention @ 1% to the Cooperative Banks for providing short term agricultural loans at the concessional interest rate of 4% to the farmers availing crop loans up to Rs.50,000/- in respect of prompt paying farmers and @ 5% interest to the farmers availing such loans above Rs.50,001/- up to Rs.3.00 lakh thereby ensuring an effective interest rate of 1% and 2% respectively after taking into account the interest incentive @ 3% provided by Government of India to prompt paying farmers who repay their loans on or before the due dates. During the year 2019-20, i.e w.e.f 1st April, 2019 further interest subsidy/subvention @ 1% was provided to the Cooperative Banks for providing short term agricultural loans to the farm families on crop loans up to Rs.50,000/- under the package for KALIA as per the decision of the State Government communicated vide Notification issued by Agriculture & Farmers Empowerment Department No. 23130, dated the 22nd December, 2018 in order to reduce the interest on crop

loans up to Rs.50,000/- from the existing rate of 1 % to 0% thus making them interest free and crop loan above Rs 50,000 to Rs 3.00 lakh be applicable interest rate was 2%.

Government of Odisha have now decided to ensure provision of crop loans up to Rs.1.00 lakh at 0%(zero) interest rate for prompt paying farmers. Accordingly, Government of Odisha in Co-operation Department issued Notification vide No. 6435, dated tge 21st July, 2022 w.e.f. Kharif 2022 (i.e from 1st April, 2022) for dispensation of crop loans up to Rs. 1.00 lakh at 0% for prompt paying farmers and for crop loans above Rs 1.00 lakh to Rs 3.00 lakh, the applicable rate is 2% for prompt paying farmers.

## **2. Scheme Objectives**

The Short-Term Co-operative Credit Structure in the State is a three-tier mechanism. The Odisha State Cooperative Bank is at the top of the structure, with 17 District Central Co-operative Banks at the middle level and 2710 PACS/ LAMPACS at the grassroots level. Further, 1494 new PACS/ LAMPACS have been organized in the State. These co-operative credit institutions with their wide outreach in rural areas and accessibility to small, marginal and landless farmers have been playing a vital role in dispensation of crop loans at present around 55 -58 % in the state. The short-term agricultural credit to farmers is being provided by PACS/ LAMPACS, they in turn get refinance from DCCB and DCCB get refinance from OSCB in which share of NABARD is around 45%. Since there is interest margin sharing among all these three tiers, the interest rate of crop loans provided by Co-operative Banks/ PACS becomes inordinately high i.e. 12.5% p.a.

In order to provide adequate quantity of loans to the farmers at an affordable rate of interest, it is necessary that the Co-operative Banks/ PACS need to be compensated by way of interest subvention/ subsidy so as to provide crop loans at the directed rate of interest as stipulated by Government from time to time.

This scheme was in continuation till previous year. The present scheme includes the modified component of providing crop loan upto Rs. 1.00 lakh from Rs. 50,000/- at 0% interest for prompt paying farmers and also includes 0.5% interest subvention to Cooperative Banks on their own resources utilised for crop loan financed

earlier which is being provided by Government of India and now decreased to 1.5% from 2% from Financial year 2022-23.

Provision of interest subvention on crop loans to Cooperative Banks/ PACS aims at achieving the following goals:

- i. Crop loans constitute the working capital requirement of the farmers for their cropping practices. Availability of crop loans at an affordable rate will encourage infusion of required working capital in agriculture resulting in increased production and productivity.
- ii. Most of the farmers in the state belong to the small and marginal category with very small and fragmented land holdings. These farmers do not have the required capital/ resources for their agricultural operation. It is necessary to provide required capital to these farmers at an affordable rate for their crops so as to enable them to earn their livelihoods.
- iii. Provision of interest subvention/subsidy to farmers on their crop loans makes the loans attractive in terms of interest incidence, thereby, farmers find it remunerative to invest more in agriculture to have a better return from their agricultural activities.

### **3. Coverage under the scheme / Programme and duration**

The project envisages provision of Interest Subvention to the Co-operative Banks/ PACS/ LAMPCS to enable them to dispense crop loans to the farmers at 0% interest in respect of loans up to Rs. 1.00 lakh for prompt paying farmers and at 2% interest in respect of loans above Rs. 1.00 lakh to Rs. 3.00 lakhs. Farmers of the State belonging to all categories and sections will be the beneficiaries. The scheme will be implemented for 5 years (2023-24 to 2027-28). The repayment period of crop loans for short duration crop is 12 months and 18 months for long duration crops.

### **4. Implementation of the Scheme**

This scheme shall be implemented by Cooperation Department through Directorate or Registrar of Cooperative Societies. The Odisha State Cooperative Bank Ltd. (OSCB) will be the Nodal Agency for STCCS for submitting claims and transmitting the same to Cooperative Banks and PACS/LAMPCS.

## 5. Source of funding for the Scheme/ Project and fund flow mechanism

The present scheme is an ongoing scheme. The source of funding of the project is State Government budgetary support under State Plan.

The detailed modalities for implementation of the scheme will be worked out by the Co-operation Department.

The total outlay of the scheme is Rs.5700.00 Crores for five years starting from 2023-24 to 2027-28.

The details year-wise is as under:

(Amount in Crore)

Components	2023-24	2024-25	2025-26	2026-27	2027-28	Total
	Financial Outlay					
Interest subvention to the Cooperative Banks / PACS for providing	1000.00	1050.00	1120.00	1200.00	1330.00	5700.00

The requirement of interest subvention will vary from year to year depending on the quantum of crop loan disbursed during the year starting from 2022-23.

The EFC meeting held under the Chairmanship of Principal Secretary, Finance on dated 24<sup>th</sup> May, 2023 has accorded clearance for implementation of the scheme "2383-Interest subvention to the Cooperative Banks / PACS for providing Crop Loan to the farmers-43056-Interest subsidy/subvention to the Cooperative Banks/PACS for providing Crop Loan at 5% interest to farmers" for 5 years starting from 2023-24 to 2027-28 with financial outlay of Rs.5700.00 Crore and merger of the scheme "78724- Interest subsidy/ subvention to the Cooperative Banks /PACS for providing crop loan under KALIA".

## **6. Intended Scheme / Programme Outcome**

The project envisages provision of Interest Subvention to the Cooperative Banks /PACS/LAMPCS/FSCS to enable them to dispense crop loans to the farmers at 0% interest in respect of loans up to Rs.1.00 lakh for prompt paying farmers and at 2% interest in respect of loans above Rs. 1.00 lakh to Rs. 3.00 lakhs. Provision of interest subvention/subsidy to farmers on their crop loans makes the loans attractive in terms of interest incidence, thereby, farmers find it remunerative to invest more in agriculture for a better return from their agricultural activities.

## **7 Monitoring & Evaluation mechanism**

- i. Adequate measures to be taken to avoid duplicity of beneficiaries of other similar scheme and make AADHAR linkage mandatory for availing Short Term crop loan by genuine farmers.
- ii. OSCB will lay considerable emphasis on systematic & sustainable monitoring of the projects. At the district level, Divisional DRCS and CEO CCB will also monitor the implementation of the crop loan finance.
- iii. Further at the State Level, monthly review of the programme will be made by the Registrar of Cooperative Societies, Odisha and quarterly review will be made by the Principal Secretary Cooperation Department. The Nodal Officer of Cooperation Department will take review of the progress of the respective District during their visit to the District.
- iv. There will be third party evaluation of the scheme by PPOMU Cell of the Finance Department to know the success and shortcomings of the scheme and to take suitable decisions to overcome the shortcomings.
- v. To undertake wide publicity of the scheme to attract more number of small and marginal farmers to avail the benefits.
- vi. The State Government may modify/ amend / alter the guidelines/norms of programme for smooth implementation.

By Order of the Governor  
**ARABINDA KUMAR PADHEE**  
 Principal Secretary to Government